

Message Text

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SUBJECT: OCCIDENTAL PETROLEUM SIGNS CONTRACTS WITH USSR VALUED
AT OVER DOS 20 BILLION

REF: MOSCOW 8993

SUMMARY.

1. LATE AFTERNOON JUNE 28 OCCIDENTAL PETROLEUM CHAIRMAN
ARMAND HAMMER AND CHAIRMEN THREE SOVIET FOREIGN TRADE
ORGANIZATIONS SIGNED SIX MAJOR CONTRACTS IMPLEMENTING CHEMICAL
FERTILIZER AGREEMENT CONCLUDED IN APRIL 1973. TOTAL VALUE OF
TWO-WAY TRADE COVERED BY CONTRACTS IS APPROXIMATELY DOLS 20.1
BILLION (TWENTY POINT ONE BILLION DOLLARS). END SUMMARY.

2. UNDER FIRST TWO CONTRACTS, VALUED AT ABOUT DOLS 100
MILLION, OCCIDENTAL WILL DESIGN, EQUIP AND SUPERVISE CONSTRUCTION
OF PORT FACILITIES IN USSR FOR UNLOADING, STORAGE, DISTRIBUTION
AND SHIPPING OF SUPERPHOSPHORIC ACID RECEIVED FROM THE UNITED
STATES, AND ALSO FOR EXPORT FROM THE USSR OF AMMONIA, UREA
AND POTASH, MOST OF WHICH WILL GO TO THE UNITED STATES.

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THE FACILITIES WILL BE LOCATED AT VENTSPILS ON THE BALTIC

SEA AND AT ODESSA ON THE BLACK SEA. THE SOVIET FOREIGN TRADE ORGANIZATIONS INVOLVED ARE TEKMASHIMPORT, SOYUZCHIMIMPORT, AND SOYUZPROMEKSPORT.

3. THE REMAINING FOUR CONTRACTS COVER THE TWENTY-YEAR EXCHANGE OF SOVIET CHEMICAL FERTILIZERS FOR AMERICAN SUPERPHOSPHORIC ACID, A DEAL VALUED AT ABOUT DOLS 20 BILLION AT TODAY'S WORLD MARKET PRICES, AND DESCRIBED BY OCCIDENTAL AS "LARGEST COMMERCIAL TRANSACTION EVER CONCLUDED BETWEEN US AND USSR." THE USSR WILL PURCHASE APPROXIMATELY DOLS 500 MILLION OF US SUPERPHOSPHORIC ACID YEARLY, AND WILL IN TURN EXPORT TO THE US ABOUT DOLS 500 MILLION WORTH OF AMMONIA, UREA AND POTASH EACH YEAR. DELIVERIES ARE TO BEGIN IN 1978.

4. FINANCING FOR DOLS 100 MILLION INFRASTRUCTURE CONTRACT WILL COME FROM DOLS 360 MILLION EX-IM BANK/BANK OF AMERICA CONSORTIUM CREDIT FOR FERTILIZER COMPLEX CONSTRUCTION FINALLY APPROVED BY EX-IM IN MAY OF THIS YEAR, AFTER DELAY OF ABOUT 11 MONTHS. ADDED TO DOLS 200 MILLION DRAWDOWN FOR AMMONIA PLANT CONSTRUCTION AT TOGLIATTI BY US FIRM CHEMICO ANNOUNCED ABOUT TWO WEEKS AGO (REFTEL) IT WILL LEAVE ABOUT DOLS 75-100 MILLION OF THIS CREDIT STILL UNUSED. OCCIDENTAL OFFICIALS ESTIMATE THAT SOVIETS MAY POSSIBLE USE THIS ADDITIONAL INFRASTRUCTURE EQUIPMENT, OR FOR EQUIPMENT FOR ADDITIONAL AMMONIA PLANTS.

5. ACCORDING TO STATEMENT MADE BY DR. HAMMER DURING INFORMAL, POST-SIGNATURE PRESS CONFERENCE, BOTH SIDES WILL CONFER EACH YEAR TO AGREE UPON CORRECT WORLD MARKET PRICES FOR SUPERPHOSPHATES AND CHEMICAL FERTILIZERS TO BE EXCHANGED.
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